



November 22, 2010

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VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS

SUBJECT: Audit Report – City Delivery Operations Workforce Planning  
(Report Number DR-AR-11-001)

This report presents the results of our audit of workforce planning in city delivery operations (Project Number 10XG020DR000). Workforce planning is a systematic identification and analysis of what an organization is going to need in terms of the size, type, and quality of workforce to achieve its objectives. It determines what mix of experience, knowledge, and skills is required and sequences steps to get the correct number of the right people in the right place and at the right time. Our objective was to evaluate the Postal Service's workforce planning process for city delivery carriers. This self-initiated audit addresses strategic risk. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service is delivering fewer pieces of mail to a growing number of addresses as new households and businesses are added to the delivery network each year. During the past 3 years, the Postal Service reduced its city letter carrier workforce and workload; however, financial losses continue to occur while salary and benefits will continue to increase. The Postal Service must achieve unprecedented levels of efficiency to accommodate this new growth while facing financial loss from declining mail volume.

## **Conclusion**

The Postal Service's workforce planning process for city letter carriers did not always optimize available resources. In fiscal year (FY) 2009, the Postal Service could have avoided paying almost 7 million of the 28 million overtime hours for full-time city letter carriers by maximizing available, lower cost carrier resources to deliver the mail.

## **City Delivery Workforce Planning**

Delivery management often used full-time city delivery carriers in overtime status to deliver the mail when using lower cost part-time and transitional carriers would have been more economical. Based on workload trends, vacancies, absences, and mail volume, supervisors decide either to use overtime with full-time carriers or staff routes with part-time or transitional city letter carriers to ensure mail is delivered on routes.

Postal Service Headquarters and area officials have implemented initiatives aimed at improving delivery operation performance including reducing managers' daily administrative burdens,<sup>1</sup> implementing new staffing tools, and improving daily communication of office operations. Moreover, area officials have primarily focused on increasing route efficiency and reducing overall workhours. However, management has not fully developed an overall city delivery operations strategy that optimizes resources and focuses on the type of workhours used and the associated staff costs to deliver the mail on city routes.<sup>2</sup> See [Appendix B](#) for our detailed analysis of this topic.

By not optimizing all city carrier staffing resources, the Postal Service unnecessarily incurred excess costs of over \$153 million in FY 2008 and approximately \$122 million in FY 2009. Additionally, operating costs of more than \$275 million could be reduced over a 2 year period (FYs 2010 and 2011).<sup>3</sup> See [Appendix C](#) for our monetary impact calculations.

We recommend the vice president, Delivery and Post Office Operations:

1. Collaborate with area management to develop and implement an overall city delivery operations strategy that optimizes the most cost-effective combination of full-time, part-time, and transitional city carrier resources to reduce overtime workhours and costs.

### Management's Comments

Management agreed in principle with the recommendation, but disagreed with the findings and monetary impact. Specifically, the Headquarters Delivery Operations Group will continue to work with field managers in the future to sustain and improve delivery operations. The need to closely monitor overtime usage will be part of the strategy. Management's response stated:

- the conclusion referencing the number of overtime hours that could have been avoided is unsupported and inaccurate.
- no quantitative conclusion can be made because the study lacks consideration of staffing to the number of routes and workload.
- the cost model incorrectly assumed that any workhours below 40 per week for Part Time Flexible (PTF) and Transitional Employees (TE) staff at the national level were

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<sup>1</sup> In June 2010, officials stated that they eliminated the use of redundant manual review logs and checklists and implemented an electronic two-step process to allow managers more time to be on the workroom floor for mail volume measuring, interaction with the carriers, and adjusting routes with electronic staffing data.

<sup>2</sup> Unit officials implemented the newly established webpage where they can record and communicate daily office conditions (while retaining full accountability for task required) that area and district management can view.

<sup>3</sup> The estimates are considered reasonable, with the annual cost savings representing roughly less than 1 percent of the total labor budget for city letter carriers.

available to reduce overtime and this assumption and conclusion is flawed for several reasons.

- the conclusion that they “. . . had not developed an overall strategy that optimized the most effective combination of all carrier resources to deliver the mail.” is inaccurate.

See [Appendix D](#) for management’s comments, in their entirety.

### **Evaluation of Management’s Comments**

The U.S. Postal Service Office of Inspector General (OIG) considers management’s comments responsive to the recommendation and management’s corrective action should resolve issues identified in the report.

Regarding the number of overtime hours that could have been avoided is unsupported and inaccurate, the OIG analysis was based on quantitative analysis of the area and district level overtime usage as well as limited analysis at the unit level showing available lower cost PTF and TE hours that could be used. Our cost model contains each level of data as well as assumptions to reflect the delivery operating environment. We consider our cost saving calculations to be conservative, sound and reasonable. Our conclusion is supported with evidence from reviews of field documents, interviews with area and district officials, and analysis of data derived from Postal Service databases.

Regarding the claim that no quantitative conclusion can be made when the study lacks consideration of staffing to the number of routes and workload, the OIG performed a quantitative area and district analysis showing that lower cost staff was available to perform delivery office and street assignments. Moreover, our methodology did not assume every stray full time overtime work hour would be converted to a PTF or TE straight time workhour. The calculation took credit for approximately one-quarter of the full time overtime workhours used.

Regarding the statement that the cost model incorrectly assumed that any workhours below 40 per week for PTF and TE staff at the national level were available to reduce overtime. The OIG acknowledges management’s identified restrictions; however, our calculation methodology did not assume every full time overtime work hour would be converted to a PTF or TE straight time work hour. The calculation took credit for approximately one-quarter of the full time overtime workhours used.


Regarding not developing an overall strategy that optimized the most effective combination of all carrier resources to deliver the mail, our review did not identify evidence of a documented strategy communicated to area officials. The OIG acknowledges management’s verbal communication efforts with field managers to

reduce overtime workhours, but this strategy could be enhanced and better documented.

In [Appendix E](#), we address management's concerns in detail regarding disagreement with the finding and monetary impact.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when the corrective action is completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery, or me at 703-248-2100.

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  
*Robert J. Batta*

Robert J. Batta  
Deputy Assistant Inspector General  
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#### Attachments

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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Planning and managing the city delivery workforce and associated workhours require managers to plan and schedule staffing to match workload trends. Each delivery facility's mail volume, mail arrival and dispatch times, and office and street route workhours vary daily. With the varied daily operational activities, supervisors may need to make immediate staffing decisions based on each route's daily volume. The Postal Service implemented management tools for supervisors to assist with their daily staffing decisions.<sup>4</sup> For city delivery supervisors, the Delivery Operations Information System (DOIS) provides unit management information online and allows supervisors to use data for making decisions to match workload with available resources. In addition, supervisors have the City Delivery Pivoting<sup>5</sup> Opportunity Model (CDPOM) to assist them in making staffing decisions that match workload trends related to pivoting opportunities.

Although the Postal Service has achieved significant gains in automated mail processing, mail delivery remains primarily a manual process. To effectively manage this manual process and improve productivity, delivery managers must continue to eliminate process inefficiencies and manage costs.

### OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate the Postal Service's workforce planning process<sup>6</sup> for city delivery carriers. Specifically, to accomplish our objective we:

- Reviewed Postal Service documentation including applicable policies, procedures, and contracts; and interviewed headquarters officials on issues related to the Postal Service's workforce planning process for city delivery operations.
- Analyzed city delivery performance data from various Postal Service systems on city delivery carriers, routes, mail volume, delivery point sequencing (DPS) percentages, delivery points, overtime, penalty overtime, and workhours for FYs 2008 and 2009, as well as Quarters 1 through 2, FY 2010.
- Judgmentally selected and visited the Capital Metro, Eastern, Northeast, and Pacific areas; and judgmentally selected district locations within those areas based on analysis of Postal Service locations with the best opportunity to increase their use of part-time workhours and available resources.<sup>7</sup> We made site visits to these locations

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<sup>4</sup> Officials also have the CDPOM as a performance management tool to assist local unit managers and senior managers to plan and schedule necessary staffing to match workload trends and develop pivot plans.

<sup>5</sup> Pivoting is defined as dividing the office and street activity of a route into sections assigned to individual carriers.

<sup>6</sup> We focused on the mix of staff in city delivery operations.

<sup>7</sup> We selected the areas with the highest number of part-time flexible (PTF) and transitional employee (TE) staff straight time workhours available. We determine available workhours as the maximum number of weekly hours the PTFs and TEs could work minus the actual number of straight time workhours used.

to determine the reasons management officials often used full-time city delivery carrier's resources in overtime status to deliver the mail rather than using lower-cost part-time and transitional<sup>8</sup> carriers.

We conducted this audit from February through November 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on August 5 and 12, 2010, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, the Enterprise Data Warehouse (EDW), and New on Rolls Paid Employee Stats (NORPES). We did not test controls over these systems; however, we checked the reasonableness of results by confirming our analysis and results with management and other data sources. We determined that the data were sufficiently reliable for the purposes of this report.

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<sup>8</sup> PTF employees are career hourly rate employees who are available to work flexible hours as assigned by the Postal Service during the course of a service week. Employees in the transitional work force are non-career bargaining unit employees categorized as TEs and utilized in accordance with the terms of their respective collective bargaining agreements. They are hourly rate employees hired for terms designated in the appropriate national bargaining agreement.

**PRIOR AUDIT COVERAGE**

The OIG issued one audit report and the Government Accountability Office (GAO) issued two reports related to the objective.

Report Title	Report Number	Final Report Date	Report Results
<i>The Postal Service's Comprehensive Strategic Workforce Plan</i>	HM-AR-07-004	09/26/2007	Although the Postal Service has taken some steps to address workforce planning for bargaining and non-bargaining employees at both the field and headquarters levels, it has not developed and implemented a comprehensive strategic workforce plan that fully addresses the five key elements essential to successful workforce planning. Management disagreed with portions of the finding, but agreed with the recommendations.
<i>U.S. Postal Service: Mail Delivery Efficiency Has Improved, but Additional Actions Needed to Achieve Further Gains</i>	GAO 09-696	7/15/2009	Postal Service delivery managers have written guidance and information systems to help them monitor delivery efficiency. These tools set carrier and unit expectations and evaluate performance. However, there is no single measure of delivery efficiency so managers use various metrics to measure effectiveness.
<i>Strategies and Options to Facilitate Progress towards Financial Viability</i>	GAO-10-455	4/12/2010	Action by Congress and the Postal Service is urgently needed to require that any binding arbitration resulting from collective bargaining would take the Postal Service's financial condition into account.

## APPENDIX B: DETAILED ANALYSIS

### City Delivery Workforce Planning

The Postal Service's workforce planning for city letter carriers did not always optimize its resources by maximizing the use of available and lower-cost part-time and transitional carriers to reduce overtime costs for delivering the mail. Based on workload trends, vacancies, absences, and mail volume, supervisors decide either to use overtime with full-time carriers or staff routes with part-time or transitional city letter carriers to ensure mail is delivered on routes.

Our analysis identified that, during FY 2009, city delivery supervisors scheduled full-time city delivery carriers to use overtime hours to deliver the mail on city routes. Management actually expended overtime hours at a cost of more than \$282 million, rather than use available and lower-cost PTF and transitional straight-time workhours at a cost of about \$160 million. Using the lower cost employees would have saved approximately \$122 million (see Table 1).

**Table 1: Full-Time Overtime Versus PTF/TE Workhours for FY 2009**

Area	Total Available PTF/TE Straight-Time Workhours	Overtime Costs Expended for Full-Time (FT) City Letter Carrier Workhours	Straight-Time Costs for PTF/TE Workhours	Costs Saved By Maximizing the Use of Available PTF/TE Carrier Workhours
Capital Metro	951,250	\$25,489,722	\$14,611,415	\$10,878,306
Eastern	1,209,416	35,096,616	19,658,088	15,438,529
Great Lakes	1,149,270	36,820,592	20,958,508	15,862,083
Northeast	1,998,218	57,259,585	32,116,177	25,143,408
Pacific	1,214,320	38,238,454	21,901,031	16,337,422
Southeast	937,458	28,040,813	15,958,764	12,082,048
Southwest	1,128,025	42,634,103	24,682,763	17,951,340
Western	790,620	18,724,251	10,464,367	8,259,883
<b>Total</b>	<b>9,378,577</b>	<b>\$282,304,134</b>	<b>\$160,351,114</b>	<b>\$121,953,020</b>

Source: EDW. \*Totals may not add up due to rounding.

The Postal Service maintains an authorized complement of part-time and transitional city letter carriers assigned to city delivery units. These city letter carriers are available as needed to deliver mail when workload trends change on routes. These carriers are paid at a lower wage rate than full-time city carriers and are capable of performing the duties of a full-time city letter carrier. Further, they provide management with the flexibility to handle dynamic and changing workload trends on city routes as needed. Postal Service Delivery Operations and Labor Relations officials told the OIG that the national labor agreement does not restrict management from using and maximizing part-time and transitional carriers' available hours. With workhours from this part-time



complement available, increased use of them on city routes can have a positive impact on city delivery operating costs.

Postal Service Headquarters officials have implemented the following initiatives aimed at improving delivery operation performance by reducing managers' daily administrative burdens and improving daily communication regarding office conditions.

- Provided staffing management tools such as CDPOM and DOIS to help them make better decisions in terms of scheduling staff.
- Eliminated the use of redundant manual review logs and checklists and implemented an electronic two-step process for supervisors to provide more free time for consistent use of staffing management tools.
- Implemented a new webpage where unit officials can record and communicate daily office conditions while retaining full accountability for the tasks required.

Area management officials were aware of these initiatives and have used the available staffing management tools in varying degrees. Some area management officials stated they are enhancing the use of staffing management tools to reduce overtime workhours and improve supervisors' ability to make day-to-day staffing decisions.

Although both Postal Service Headquarters and area management officials implemented initiatives and have used the available staffing management tools in varying degrees, they have primarily focused on increasing route efficiency and reducing overall workhours. This condition occurred because management has not fully developed an overall city delivery operations strategy that optimizes the most cost-effective combination of full-time, part-time, and transitional city letter carrier resources for delivering mail; and reducing overtime workhours.

Even with mail processing automation equipment placing more mail volume into the carrier's delivery line of travel, managers have continued assigning full-time city letter carriers who are familiar with the routes to deliver the mail. Management stated that using these carriers further reduced casing time and delivery workhours, versus assigning less costly PTF or transitional carriers with minimal knowledge of the routes. However, the staffing management tools allow supervisors to identify the PTF or transitional carriers' level of route knowledge and note the number of times the carrier has serviced the route to determine where they can be assigned. Given this information and increases in DPS<sup>9</sup> percentages, management can optimize all city carrier staffing resources on routes.

As a result, the Postal Service expended more resources than necessary to deliver the mail. We estimate that by not optimizing its resources, the Postal Service unnecessarily

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<sup>9</sup> DPS is a process that allows sorting of bar-coded letter mail at the processing plants and delivery units into the carrier's line-of- travel. Mail is taken directly to the street, with no casing time in the office.

incurred unrecoverable questioned costs of over \$153 million in FY 2008, and approximately \$122 million in FY 2009. Additionally, operating costs of more than \$275 million could be reduced over a 2 year period (FYs 2010 and 2011). See [Appendix C](#) for our monetary impact calculations.

### APPENDIX C: MONETARY IMPACTS

We estimate by not optimizing its resources, the Postal Service's unnecessarily incurred unrecoverable questioned costs of \$275,161,307 over a 2 year period (FYs 2008 and 2009), and could reduce operating cost by \$275,161,307 in funds put to better use over a 2 year period (FYs 2010 and 2011). See Table 2.

**Table 2. Monetary Impact**

Finding	Impact Category	Estimated Savings
Workforce Planning for City Letter Carriers FYs 2008 and 2009	Unrecoverable questioned costs <sup>10</sup>	\$275,161,307
Workforce Planning for City Letter Carriers FYs 2010 and 2011	Funds put to better use <sup>11</sup>	275,161,307
<b>Total Monetary Impact</b>		<b>\$550,322,614</b>

Source: OIG Analysis.

#### Available PTF and TE Workhours

To determine the number of available PTF and TE hours, we employed the following methodology:

- We obtained the nationwide city delivery complement from NORPES by district and area for each month in FYs 2008 and 2009 to determine the total number of employees on the roll by city delivery employee type (full-time, PTF, and TE). We calculated the average number of carriers by employee type for each fiscal year to compute the maximum number of available hours for PTF and TE carriers.
- We obtained the FYs 2008 and 2009 actual straight time, overtime, and penalty overtime workhours by city delivery employee type from the Postal Service's EDW System National Payroll Hour Summary Report to compute savings.
- We used the Postal Service National Average Labor Rates table to obtain the FYs 2008 and 2009 average workhours part time and transitional staff could work. The FY 2008 average was 1,760 hours for PTF carriers and 1,984 hours for TE carriers. The FY 2009 average was 1,756 hours for PTF carriers and 1,983 hours for TE carriers. We calculated the maximum straight hours that a PTF could have worked by multiplying the total number of PTFs by the average workhours designated in the labor rates table for each fiscal year. We used the same methodology to compute the maximum straight hours for the TE staff.
- We calculated the available straight time PTF hours by subtracting the maximum straight time hours that a PTF could work from total actual PTF straight hours

<sup>10</sup> Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

<sup>11</sup> Funds that could be used more efficiently by implementing recommended actions.

worked during the fiscal year. We used the same methodology to compute the maximum straight hours for the TE staff (see Table 3).

- We subtracted the total number of available PTF and TE straight time hours from the total number of full-time carrier overtime hours to ensure that the number of available PTF and TE hours did not exceed the total number of full-time carrier overtime hours.

**Table 3. Summary of Available Straight Time Hours for PTF and TE Carriers by Area for FY 2008 and FY 2009**

Area	Total PTF Carriers	Total TE Carriers	Total PTF Straight Hrs	Total TE Straight Hrs	Max Straight Time Hrs PTFs Could Work	Max Straight Time Hrs TEs Could Work	PTF Available Straight Hrs	TE Available Straight Hrs	Total PTF/TE Available Straight Hrs That Could Have Been Worked Instead of Full Time OT Hrs
Capital Metro	1,876	1,072	2,917,575	1,561,031	3,302,347	2,127,509	384,772	566,478	951,250
Eastern	3,449	1,892	5,681,177	2,933,615	6,069,653	3,754,555	388,476	820,940	1,209,416
Great Lakes	2,780	1,745	4,348,720	2,856,634	4,892,213	3,462,411	543,493	605,777	1,149,270
Northeast	4,338	2,457	7,030,204	3,482,541	7,635,613	4,875,349	605,409	1,392,808	1,998,218
Pacific	3,658	2,027	6,011,661	3,232,603	6,437,347	4,021,237	425,686	788,634	1,214,320
Southeast	2,701	1,537	4,410,337	2,455,941	4,754,493	3,049,243	344,156	593,302	937,458
Southwest	2,633	1,148	3,888,480	1,894,786	4,633,493	2,277,797	745,013	383,011	1,128,025
Western	3,094	1,370	5,216,975	2,156,714	5,445,733	2,718,576	228,758	561,862	790,620
<b>FY 2008 Total</b>	<b>24,529</b>	<b>13,249</b>	<b>39,505,129</b>	<b>20,573,865</b>	<b>43,170,893</b>	<b>26,286,677</b>	<b>3,665,764</b>	<b>5,712,812</b>	<b>9,378,577</b>
Capital Metro	1,510	1,106	2,302,687	1,886,299	2,651,560	2,193,363	348,873	307,064	655,937
Eastern	3,234	2,121	5,379,735	3,601,886	5,678,172	4,206,604	298,437	604,718	903,155
Great Lakes	2,407	1,928	3,781,410	3,320,307	4,226,838	3,822,398	445,428	502,091	947,519
Northeast	3,922	2,843	6,382,914	4,668,100	6,887,325	5,637,173	504,411	969,073	1,473,484
Pacific	3,291	1,940	5,263,310	3,379,470	5,779,435	3,847,351	516,125	467,881	984,006
Southeast	2,402	1,614	3,879,580	2,816,978	4,217,912	3,200,232	338,332	383,254	721,586
Southwest	2,374	1,368	3,488,890	2,295,147	4,168,744	2,712,414	679,854	417,267	1,097,121
Western	2,404	1,489	4,088,135	2,620,842	4,221,717	2,952,687	133,582	331,845	465,427
<b>FY 2009 Total</b>	<b>21,544</b>	<b>14,409</b>	<b>34,566,661</b>	<b>24,589,029</b>	<b>37,831,703</b>	<b>28,572,221</b>	<b>3,265,042</b>	<b>3,983,192</b>	<b>7,248,234</b>

### Available PTF and TE Unrecoverable Costs Savings

To determine the unrecoverable cost savings for available PTF and TE hours, we used the following methodology:

- We used the straight time labor rates in the EDW National Payroll Hour Summary Report to calculate the dollars for the PTF and TE straight time available hours. We used a weighted average to determine each district’s contribution to the nationwide straight time labor rate for each fiscal year. For each district, we divided the district’s total PTF straight time hours by the nationwide total PTF straight time hours and then multiplied that figure by the district’s PTF straight time labor rate. We computed the nationwide average PTF straight time rate at \$21.60 in FY 2008 and \$23.46 in FY 2009. For each district, we divided the district’s total TE straight time hours by the nationwide total TE straight time hours and then multiplied that figure by the district’s TE straight time labor rate. We computed the nationwide average TE straight time rate at \$19.85 in FY 2008 and \$20.93 in FY 2009.
- We used the full-time overtime and penalty overtime hours and full-time labor rates in the EDW National Payroll Hour Summary Report to compute the full-time carrier

overtime rate for the available PTF and TE hours. We used a weighted average to determine each district's contribution to the labor rate for the combined total overtime and penalty overtime hours for each fiscal year.

- For each district, we divided the district's total overtime hours by the nationwide total overtime hours and then multiplied that figure by the district's overtime labor rate. The nationwide average overtime rate was \$36.45 in FY 2008 and \$38.43 in FY 2009. We computed the nationwide weighted overtime labor rate by obtaining the percentage of overtime hours to the sum of the overtime and penalty overtime hours and multiplying that total by the nationwide average overtime labor rate.<sup>12</sup> We calculated the nationwide weighted average overtime rate at \$35.09 in FY 2008 and \$37.07 in FY 2009.
- For each district, we divided the district's total penalty hours by the nationwide total penalty hours and then multiplied that figure by the district's penalty labor rate. The nationwide average penalty rate was \$47.78 in FY 2008 and \$50.52 in FY 2009. We computed the weighted penalty rate by obtaining the percentage of penalty overtime hours to the sum of the overtime and penalty hours and multiplying that total by the nationwide average penalty labor rate.<sup>13</sup> We calculated the nationwide weighted average penalty rate at \$1.79 for both FYs 2008 and 2009.
- We added the overtime and penalty labor rates from each calculation which resulted in a weighted average full-time carrier overtime labor rate of \$36.87 in FY 2008 and \$38.86 in FY 2009.
- We calculated the full-time overtime dollars for the available PTF hours by multiplying the full-time weighted average labor rate by the available PTF hours. We calculated the full-time overtime dollars for the available TE hours by multiplying the full-time weighted average labor rate by the available TE hours.

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<sup>12</sup> The overtime hours represented 96 percent of the total overtime and penalty overtime hours in FYs 2008 and 2009.

<sup>13</sup> The penalty overtime hours represented 4 percent of the total overtime and penalty overtime hours in FYs 2008 and 2009.

- We subtracted the cost of the available PTF and TE straight time hours at the full-time weighted average overtime rate from the cost at the PTF and TE straight time rate to determine the cost savings (see Table 4).

**Table 4. Available PTF and TE Unrecoverable Cost Savings for FYs 2008 and 2009**

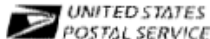
Area	Total PTF/TE Available Straight Hrs That Could Have Been Worked Instead of Full Time OT Hrs	PTF Dollars (Straight Time Rate)	TE Dollars (Straight Time Rate)	Full-time OT Dollars (Weighted Avg Rate) for Available PTF Hrs	Full-time OT Dollars (Weighted Avg Rate) for Available TE Hrs	PTF Cost Savings (Difference Between Cost of Available PT Straight Time Dollars and Full-time Overtime Dollars)	TE Cost Savings (Difference Between Cost of Available TE Straight Time Dollars and Full-time Overtime Dollars)	Total Unrecoverable Cost Savings
Capital Metro	951,250	\$ 8,311,068.00	\$ 11,244,594.92	\$ 14,186,531.35	\$ 20,886,056.15	\$ 5,875,463.35	\$ 9,641,461.23	\$15,516,924.58
Eastern	1,209,416	\$ 8,391,088.80	\$ 16,295,652.38	\$ 14,323,122.41	\$ 30,268,045.51	\$ 5,932,033.61	\$ 13,972,393.13	\$19,904,426.74
Great Lakes	1,149,270	\$ 11,739,456.00	\$ 12,024,666.83	\$ 20,038,599.20	\$ 22,334,985.70	\$ 8,299,143.20	\$ 10,310,318.87	\$18,609,462.07
Northeast	1,998,218	\$ 13,076,841.60	\$ 27,647,245.42	\$ 22,321,442.12	\$ 51,352,843.25	\$ 9,244,600.52	\$ 23,705,597.83	\$32,950,198.35
Pacific	1,214,320	\$ 9,194,810.40	\$ 15,654,391.52	\$ 15,695,030.53	\$ 29,076,947.87	\$ 6,500,220.13	\$ 13,422,556.35	\$19,922,776.48
Southeast	937,458	\$ 7,433,776.80	\$ 11,777,038.08	\$ 12,689,044.01	\$ 21,875,032.45	\$ 5,255,267.21	\$ 10,097,994.37	\$15,353,261.58
Southwest	1,128,025	\$ 16,092,288.00	\$ 7,602,774.97	\$ 27,468,641.60	\$ 14,121,627.86	\$ 11,376,353.60	\$ 6,518,852.89	\$17,895,206.49
Western	790,620	\$ 4,941,180.00	\$ 11,152,960.70	\$ 8,434,319.75	\$ 20,715,851.94	\$ 3,493,139.75	\$ 9,562,891.24	\$13,056,030.99
<b>FY 2008 Total</b>	<b>9,378,577</b>	<b>\$79,180,509.60</b>	<b>\$113,399,324.82</b>	<b>\$135,156,730.97</b>	<b>\$210,631,390.73</b>	<b>\$55,976,221.37</b>	<b>\$97,232,065.91</b>	<b>\$153,208,287.28</b>
Capital Metro	655,937	\$8,247,814.29	\$8,835,724.83	\$13,871,868.07	\$16,409,286.45	\$5,624,053.78	\$7,573,561.62	\$13,197,615.39
Eastern	903,155	\$7,696,214.32	\$14,476,200.06	\$12,960,198.59	\$26,883,693.50	\$5,263,984.27	\$12,407,493.43	\$17,671,477.71
Great Lakes	947,519	\$11,094,602.35	\$11,266,713.12	\$18,673,972.12	\$20,923,116.12	\$7,579,369.77	\$9,656,403.01	\$17,235,772.77
Northeast	1,473,484	\$12,455,157.92	\$23,964,974.27	\$20,961,420.31	\$44,505,514.87	\$8,506,262.39	\$20,540,540.60	\$29,046,803.00
Pacific	984,006	\$10,651,551.45	\$12,723,565.19	\$17,875,824.02	\$23,629,392.05	\$7,224,272.56	\$10,905,826.86	\$18,130,099.42
Southeast	721,586	\$7,685,522.76	\$9,899,266.92	\$12,918,312.77	\$18,384,131.73	\$5,232,790.01	\$8,484,864.81	\$13,717,654.82
Southwest	1,097,121	\$16,020,831.42	\$8,168,081.41	\$26,943,884.02	\$15,168,302.03	\$10,923,052.60	\$7,000,220.62	\$17,923,273.22
Western	465,427	\$4,230,015.71	\$9,049,238.28	\$7,131,536.82	\$16,805,674.32	\$2,901,521.11	\$7,756,436.05	\$10,657,957.15
<b>FY 2009 Total</b>	<b>7,248,234</b>	<b>\$ 78,081,710.22</b>	<b>\$ 98,383,764.07</b>	<b>\$131,337,016.71</b>	<b>\$182,709,111.07</b>	<b>\$ 53,255,306.49</b>	<b>\$ 84,325,347.00</b>	<b>\$137,580,653.48</b>

**Available PTF and TE Funds Put to Better Use Costs Savings**

We averaged the totals calculated in the unrecoverable costs tables for FYs 2008 and 2009 to project the funds put to better use for FYs 2010 and 2011.

**APPENDIX D: MANAGEMENT'S COMMENTS**

Internal Distribution  
Management  
Distribution to the Director



September 29, 2010

Lucine M. Willis  
Director, Audit Operations  
1735 North Lynn Street  
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report - City Delivery Operations Workforce Planning  
(Report Number DR-AR-10-DRAFT)

The U.S. Postal Service (USPS) agrees that its current operating environment is extremely challenging with fewer pieces of mail, a growing number of deliveries, and a negotiated agreement with the National Association of Letter Carriers (NALC) that includes scheduled pay raises and cost of living adjustments.

We also appreciate the OIG recognizing that the USPS continues to reduce city delivery operating costs. As stipulated in the report, several Headquarters and area developed programs have been implemented at the field unit level to assist local delivery unit managers in identifying opportunities for using under-time and lower cost employees when available. These efforts have resulted in a reduction of overtime hours in Function 2B (City Delivery) of 18.1 million in fiscal year (FY) 2008 and 11.5 million in FY2009 for a savings of over \$1.2 billion.

We disagree with the monetary impact and conclusion of this report. While we agree in principle with the general substance of the recommendation, it should be noted that in order to be valid, it should read that we will *continue* to develop and *enhance* our overall city delivery operations strategy that optimizes the most cost-effective combination of full-time, part-time, and transitional city carrier resources to reduce overtime work hours and costs.

The conclusion of the audit referencing the number of overtime hours that could have been avoided is unsupported and inaccurate. In the initial meeting between postal managers and OIG concerning the audit, it was announced that the purpose of this audit was to study the workforce usage and staffing. At a subsequent initial exit conference, it was announced that it was determined that the initial study had too large a scope and that staffing would be studied in a later audit. Given that staffing shortages are the primary cause of overtime, and that we have greatly constricted the hiring of career carriers for the past several years (we reduced on rolls city carriers by 21,474 over FY2008 and FY2009), no quantitative conclusion can be made when the study lacks consideration of staffing to the number of routes and workload.

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The audit assumed that any workhours below 40 per week for Part-time Flexible (PTF) and Transitional (TE) employees at the national level were "available" to reduce overtime. This assumption and the resultant conclusion are flawed for several significant reasons:

- Unaccounted for was the reality PTFs and TEs are not "available" at all sites that used overtime due to geographical, contractual, and efficiency reasons. Arbitrators have called this the "rule of reason". In any situation where employees are not co-located, incremental cost occurs and increases on a graduated scale.
- PTFs and TEs are contractually guaranteed four hours pay when they are unscheduled but called in for work. It is not reasonable to call one of these employees in to avoid one or two hours of overtime and instead pay a PTF or TE four hours pay.
- In 2008 and 2009 there were over 22 million paid leave hours and 3.9 million training hours that PTF and TE employees used. These hours should be subtracted from the available straight time hours for these employee types since they were not available to work if they were on leave or in training.
- To use *all* PTF hours up to 40 hours to avoid Full-time Regular carrier overtime would result in promotion of the PTF to FTR status. The Maximization/Full-time Flexible – NALC Memorandum of 1987 stipulates that, if a PTF has performed letter carrier duties in an installation at 40 hours a week, five days a week, over a period of six months, the senior part-time flexible shall be converted to full-time carrier status.
- Many of the allowable TE carriers were hired to fill vacant positions already consisting of 40 hours in anticipation of route reductions due to implementation of the Flat Sequencing System (FSS).
- TE employees are required to take a five day break in service each calendar year. They are contractually not available to work on these days yet those hours were considered as opportunity in the formula.

Even if we agreed with the methodology for determining availability, the formulas for determining dollar savings use incorrect salary rates. The formulas use PTF Straight Time @ \$21.60, TE Straight Time @ \$19.85, and FT OT @ \$36.87. The salary rates do not include the fully loaded costs. The fully loaded salary rates are:

	2008	2009	2010
PTF Straight Time	\$ 33.12	\$ 35.20	\$37.27
TE Straight Time	\$ 22.34	\$ 23.72	\$24.15
Full Time OT	\$ 38.10	\$ 40.32	\$41.31

The difference in salary rates drastically reduces the savings achieved when swapping TE and PTF Straight Time hours for FT Overtime hours. The OIG data shows a savings of \$15.27 for every PTF Straight Time hour used in place of a FT OT hour. The actual differential was \$4.98 for 2008 and \$5.12 for 2009. This resulted in more than a 300 percent overstatement in dollars saved for PTF Straight Time in place of FT OT.

Also, the conclusion is inaccurate in the statement that "The Postal Service has primarily focused on increasing route efficiency and reducing overall work hours, and had not developed an overall city delivery operations strategy that optimized the most cost-effective combination of all city carrier resources to deliver the mail." The urgency and



necessity to reduce overtime work hours are conveyed to the Area Vice Presidents, Area Managers, Operations Support, and Area Managers, Delivery Programs Support during bi-weekly telecons as well as monthly meetings through graphic illustration, ranking, progress and trend reports, and discussion of the tools that are available. As we discussed, use of both Delivery Operations Information System (which leads the supervisor to use the least costly work hour in daily operations) and city delivery pivot opportunity model (which facilitates the most effective scheduling in order to maximize the use of the straight time work hour) are a part of the discussion on a regular basis. Reports such as the Lean Matrix track both the progress on reducing overtime and the improvement of carrier efficiencies which result in the decrease of overall work hours.

**Recommendation**

We recommend that the Vice President, Delivery and Post Office Operations to:

Collaborate with area management to develop an overall city delivery operations strategy that optimize the most cost effective combination of full-time, par-time and transitional carrier resources for delivering mail and reducing overtime work hours.

**Management Response**

The headquarters delivery operations group has worked with field managers to quickly respond to a changing business environment. Since 2005, the number of city delivery carriers has declined by 28,000. During the same period (FY2005-FY2009) the number of new city delivery points has increased by 1.9 million. In spite of a growing infrastructure, total hours and overtime hours have declined. In fact, the City Delivery Operations used 67.3 million overtime hours in FY2007 and in FY2009 used only 37.7 million hours; a reduction of 44 percent.

The headquarters delivery operations group will continue to work with field managers in the future to sustain and improve an already efficient delivery operation. The need to closely monitor overtime usage will be part of the overall strategy.



David J. Granholm

## APPENDIX E: OIG EVALUATION OF MANAGEMENT'S COMMENTS

We appreciate management's response to our draft report and the actions to continue development and enhancement of an overall city delivery operations strategy that optimizes the most cost-effective combination of full-time, part-time, and transitional city carrier resources to reduce overtime workhours and costs.

The following presents management's comments indicating disagreement with the finding and monetary impact and OIG's response. We also reference management's comments sections in [Appendix D](#) as appropriate.

1. Management disagreed with the monetary impact and conclusion. For the full management comment – see [Appendix D](#), page 14, paragraph 1.

OIG Response: See responses in numbers 2-5 below.

2. Management stated the conclusion of the audit referencing the number of overtime hours that could have been avoided is unsupported and inaccurate. For the full management comment see [Appendix D](#), page 14, paragraph 3.

OIG Response: The calculation for overtime hours that could have been avoided was based on quantitative analysis of the area and district level overtime usage. We performed similar limited analysis at the unit level as well to show available lower cost PTF and TE hours that could be used. Our cost model contains each level of data as well as assumptions to reflect the delivery operating environment. We consider our cost saving calculations to be conservative, sound and reasonable. We address specific concerns regarding the model in items 3 and 4 below. Our conclusion is supported with evidence from reviews of field documents, interviews with area and district officials, and analysis of data derived from Postal Service databases.

3. Management stated that no quantitative conclusion can be made because the study lacks consideration of staffing to the number of routes and workload. For the full management comment see [Appendix D](#), page 14, paragraph 3.

OIG Response: Our quantitative analysis at the area and district level shows the best alternative for overtime was to use less costly straight-time PTF and TEs staff, instead of full time carriers on overtime. We performed similar limited analysis at the unit level as well to show available lower cost PTF and TE hours that could be used. Moreover, for this review, OIG focused on the alternative lower cost staff available to field managers to reduce overtime usage in delivery units, not the staffing ratio of routes to carriers.

4. Management stated the cost model incorrectly assumed that any workhours below 40 per week for PTF and TE staff at the national level were available to reduce

overtime and this assumption and conclusion is flawed for several reasons. For the full management comment see [Appendix D](#), page 15.

- PTFs and TEs are not always available at all sites that use overtime due to geographical, contractual, and efficiency reasons. For the full management comments see [Appendix D](#), page 15, first bullet.

OIG Response: We acknowledge management's identified restrictions on availability. However, our quantitative area and district analysis showed that this lower cost staff was available to perform delivery office and street assignments. We acknowledge TEs hired under the Flat Sequencing System Memorandum of Understanding, however, our review identified that this staff were being used in other locations performing other work in delivery units that was not solely related to FSS. Our calculation methodology did not assume every stray full time overtime workhour would be converted to a PTF or TE straight time workhour. The calculation took credit for approximately one-quarter of the full time overtime workhours used. For example, in FY 2009, the Postal Service used a total of 37,222,661 full time overtime workhours. The calculation methodology converted 9,378,577 of these hours to the lower cost PTF and TE rates, leaving 28,732,244 overtime hours unconverted.

- PTFs and TEs are contractually guaranteed 4 hours of pay when unscheduled but called in for work. For the full management comments see [Appendix D](#), page 15, second bullet.

OIG Response: We acknowledge management's identified restrictions; however, our calculation methodology did not assume every full time overtime workhour would be converted to a PTF or TE straight time workhour. The calculation took credit for approximately one-quarter of the full time overtime workhours used.

- PTF and TE leave and training hours should be subtracted since they are not available when on leave or in training. For the full management comments see [Appendix D](#), page 15, third bullet.

OIG Response: We agree with management's identified cost model assumptions not addressing the PTFs and TEs leave and training hour subtractions. We adjusted the numbers used in the calculation methodology to show the annualized average number of workhours available for PTFs and TEs. We used the Postal Service National Average Labor Rates table to obtain the FYs 2008 and 2009 average productive workhours available for part time and transitional staff, which do not include hours for training and leave. The FY 2008 average was 1,760 hours for PTF carriers and 1,984 hours for TE carriers. The FY 2009 average was 1,756 hours for PTF carriers and 1,983 hours for TE carriers. We calculated the maximum straight hours

that a PTF could have worked by multiplying the total number of PTFs by the average workhours designated in the labor rates table for each fiscal year. We used the same methodology to compute the maximum straight hours for the TE staff. We revised the cost savings methodology to incorporate these changes for training and leave that showed significant reductions in the number of workhours available for the lower cost staff, in FY 2009, from 14 million workhours down to 7 million workhours.

- Using all PTFs up to 40 hours instead of overtime would result in conversions of PTFs to full-time status. For the full management comments see [Appendix D](#), page 15, fourth bullet.

OIG Response: We acknowledge management's concerns regarding use of all PTF for 40 hours could result in PTF promotion to full time status. However, it is management's responsibility to monitor PTF workhours and assignments to ensure they do not work the same assignment for 6 months. Our calculation methodology considered only available hours for PTFs and TEs up to their contract limits, which are below the 40 hour work week threshold. In addition, the TEs included in our calculation methodology, on average, were not working a full week, regardless of the original intention in which they were hired.

- TEs that were already hired for FSS implementation should not be included in the model. For the full management comments see [Appendix D](#), page 15, paragraph 1, fifth bullet.

OIG Response: We acknowledge TEs hired under the FSS MOU, however, our review identified that this staff were being used in other locations performing other work in delivery units that was not solely related to FSS. Therefore, our calculations included these TEs.

- TEs are required to have a five day break in service and are not available to work those days. For the full management comments see [Appendix D](#), page 15, paragraph 1, sixth bullet.

OIG Response: We agree with management's identified cost model assumptions not addressing TE employee's requirement to take a 5 day break each calendar year. We revised the cost savings methodology to incorporate the changes and updated the monetary impact figures in the report. We consider our cost saving calculations to be conservative, sound and reasonable. The projected amounts in FYs 2010 and 2011 represent roughly less than 2 percent of the total labor budget for city letter carriers.

- The salary rates used do not include the fully loaded costs. For the full management comments see [Appendix D](#), page 15, paragraphs 2 and 3.

OIG Response: We did not use the fully loaded salary rate that includes a salary, cost of leave, benefits, and “service-wide” fixed cost components. Fully loaded rates are applicable to situations in which we are modeling staffing changes that reduce the number of on-rolls employees. In this case, we are not reducing the number of on-roll employees. We modeled the cost savings of exchanging full-time overtime workhours with straight-time PTF and TE workhours, which would not affect benefits leave usage and fixed costs. We consider our cost saving calculations to be conservative, sound and reasonable. The projected amounts in FYs 2010 and 2011 represent roughly less than 2 percent of the total labor budget for city letter carriers.

5. Management stated the conclusion that they had not developed an overall strategy that optimized the most effective combination of all carrier resources to deliver the mail is inaccurate. For the full management comments see [Appendix D](#), pages 15 and 16, paragraph 4.

OIG Response: The OIG statements in the report are accurate. Various officials in the areas and districts informed the OIG that their work focus was placed on route efficiency and reducing overall workhours and staffing decisions were made accordingly. OIG acknowledges management verbal communication efforts to reduce overtime workhours. However, our review did not identify evidence of a documented strategy to reduce overtime and delivery operating costs.